

California Beef Council

Established 1954

STATE ANNUAL REPORT



TWENTY TWELVE

California Beef Council Responds to Negativity with Billboard Campaign

During the height of the 2012 summer travel season, vacationers and commuters throughout California were likely to come across a delicious-looking portrayal of a California tradition...summer grilling. A billboard, produced by the California Beef Council (CBC), offered a simple yet very important message: Still Safe, Still Nutritious, Still a Family Favorite—Beef. It's What's for Dinner. The billboard sent consumers to www.calbeef.org, the CBC's website. Recent attacks against beef, which included misinformation about food safety and a misunderstanding about the nutritional value of beef, prompted the campaign. The billboards were posted along major highways in some of California's metropolitan areas. The estimated number of impressions was more than 87.3 million over the entire course of the campaign. The message received additional exposure through Facebook and Twitter.



"Look What Katy Did" Blog

The CBC recognizes that more and more people are using online sources to receive information and has been developing new resources to reach more of these consumers. The CBC food and nutrition blog, "Look What Katy Did" at calbeef.blogspot.com, is a new CBC social media property for 2012. The blog makes nutritional information available to consumers and provides examples of heart healthy beef recipes for readers. It features recipes obtained from local producers and posts regularly to help increase the exposure of local California ranching families. The blog also features recipes that include other California-grown produce. This blog is a tool to reach and educate consumers and will help position the CBC as an online nutrition resource.

Sacramento Burger Battle

The inaugural Sacramento Burger Battle on September 18 at Raley Field brought together some of Sacramento's best-known eateries competing to produce the best burger, and it all benefited the Crohn's and Colitis Foundation of America. The CBC was on site with a booth distributing nutrition information and giving visitors a chance to enter to win a beef-themed gift basket. The CBC also provided a judge for the event: Congressman and California cattleman John Garamendi. Competing restaurants included Michelangelo's, Squeeze Inn, Krush Burger, Delta King, de Vere's Irish Pub and many more. The event was promoted through extensive social media coverage, and through Sacramento-area print, radio and television, and at local food sites.



Consumer Print Advertising

The CBC used QR code technology in all 2012 print advertising as a means of linking readers to the information most pertinent to them. The Beef in an Optimal Lean Diet (BOLD) study was the big news for 2012, but delivering that message was different for each audience. In a full-page, color advertisement in *Today's Dietitian*, the dietitian and nutrition readership saw BOLD explained in more clinical terms, with a QR code directing them to the actual study as printed in the *American Journal of Clinical Nutrition*. PAC-12 Conference students and fans got a more consumer-friendly taste of the BOLD message with a full color "T-Bone beauty ad" on the back cover of the PAC-12 basketball championship tournament program. The QR code on this advertisement took readers to the BOLD page on www.beefitswhatsfordinner.com. In three women's magazines, *Good Housekeeping*, *Redbook* and *Woman's Day*, the BOLD message was presented through a lean beef recipe. In addition to a beautiful photo of the completed dish and the recipe, the QR code took readers to the BOLD page on www.beefitswhatsfordinner.com.

American Heart Association Walks

The CBC partnered with the American Heart Association (AHA) to sponsor three California AHA Heart Walks in 2012 reaching approximately 12,000 walk attendees. The CBC sponsored a booth and distributed educational materials about the role beef plays in a heart healthy diet. Attendees were also eligible to participate in a drawing to win one of six copies of *The Healthy Beef Cookbook*.



Hispanic Marketing Campaign

The greater Los Angeles area was again the focus of the CBC's 2012 Hispanic marketing campaign. The CBC partnered with eight large Hispanic retail chains, totaling 185 store locations during the summer and fall months. The promotion included radio spots on three major Hispanic stations and television advertisements on one Hispanic station, garnering more than 17.7 million gross media impressions. In-store point-of-sale elements, store level radio remotes and consumer giveaways were also featured elements of the promotion. Anheuser-Busch Companies, Inc. and MegaMex Foods contributed \$55,000 towards the promotional campaign as well.

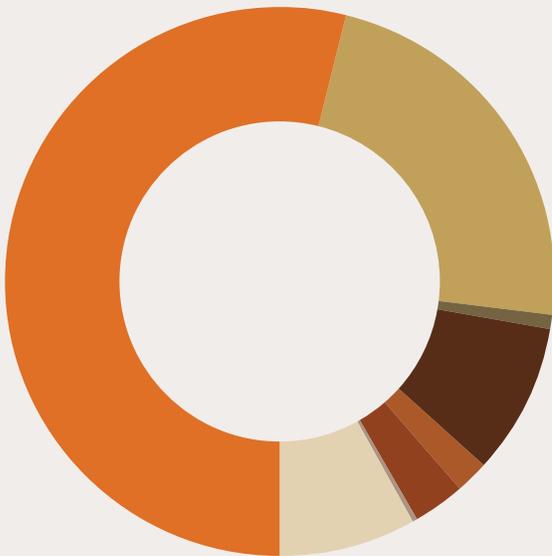
BJ's Restaurants, Inc. Promotion

The CBC partnered with BJ's Restaurants, Inc. to highlight featured beef products during the 2012 holiday season. Final results indicated that BJ's 61 California locations sold nearly 64,000 pounds of the featured beef products during the promotion. New York strips, ribeyes and top sirloins were promoted via menu outserts, free-standing insert (FSI) coupons and wait staff incentive contest. Both the outsert and FSI included the CBC and beef checkoff logos. In addition, the CBC sponsored a wait staff incentive contest that rewarded BJ's staff for selling beef dishes during the promotion. BJ's also drove traffic to their restaurants through promotional activity on their website and social media pages, as well as through loyalty-club and e-club loyalty mailings.



CALIFORNIA BEEF COUNCIL Fiscal Year 2012 Expenditures

| | |
|-----------------------------|-------------|
| Promotion | \$1,011,081 |
| Consumer Information | \$428,923 |
| Industry Information | \$14,693 |
| Producer Communications | \$166,459 |
| National Program Investment | \$31,600 |
| Program Development | \$56,548 |
| USDA Oversight | \$54,036 |
| Administration | \$148,902 |



Jack in the Box

The CBC partnered with 932 Jack in the Box locations in California to launch the new Sourdough Cheesesteak Melt. The new beef sandwich rolled out in September and was anticipated to be on the menu for a few months. However, the success of the sandwich resulted in an extended promotion through 2013, and it is now a permanent menu item. New menu board elements, external signs and window signage promoted the sandwich and featured the beef checkoff's "Beef. It's What's for

Dinner" logo. In addition, a FSI which also included the beef checkoff logo was distributed in major newspapers for two weeks in October offering coupons for the Sourdough Cheesesteak Melt sandwich. Jack in the Box also funded broadcast television, radio, digital media, social media, e-blasts and much more to promote the sandwich, spending nearly \$15 million on the promotion. The promotion resulted in more than 493,100 pounds of the thinly-sliced steak sandwiches being sold in their 932 California locations.

Food 4 Less, Foods Co.

The CBC conducted a promotion with 130 Food 4 Less, Foods Co. locations for two weeks leading up to Mexican Independence Day. The promotion included advertising on English and Spanish-language radio stations in the Los Angeles, San Diego, Fresno, San Francisco and Sacramento media markets. Promotional events were held at a select store in each media market where beef-themed prize packs were distributed to customers. In addition, Food 4 Less, Foods Co. increased their beef featuring during the promotion. The beef items on feature during the two-week promotion saw significant increases in beef pounds sold compared to those same cuts in the two weeks before and after the promotion. New York steaks, boneless Tri-Tip roasts, boneless flap meat, ribs and boneless chuck steaks or roasts saw a 382% increase during the promotion when compared to the two weeks prior to the promotion this year. Those same five beef items saw a 390% increase in beef pounds moved during the promotion when compared to the two weeks post-promotion.

HISTORY CREATES BASE

for Proven Checkoff Program

When we learn from the past, we build a foundation for the future. Take the national Beef Checkoff Program, for example.

The current mandatory checkoff has its roots in demand-building efforts by the beef industry that began back in 1922, when agriculture's first checkoff effort was created in the National Live Stock and Meat Board. Adding to that foundation are state beef councils around the country, which were started as far back as the mid-1950s.

The first checkoffs were voluntary and collected at processing facilities. The assessments on producers were 5 cents per train carload, and a matching 5 cents a train carload from packers on cattle, hogs and sheep – an amount that was matched

by progressive processing companies that participated in the program.

In 1963, the Meat Board created species divisions that would help provide focus to individual meats. That's when the Beef Industry Council (BIC) was formed, with guidance and support from state beef councils from around the country.

When the mandatory \$1-per-head Beef Checkoff Program was instituted in 1986, the BIC was identified in the Beef Promotion Order as the Federation of State Beef Councils, which would help identify programs to fund and represent Qualified State Beef Councils at the national level. When the National Cattlemen's Association merged with the Meat Board in 1996, a Federation Division was created, making the new Fed-

eration of State Beef Councils the successor to the BIC.

While improvements have been made along the way, many of the concepts established back in 1922, with additional focus in 1963, are intact in 2012. Today, the Federation remains dedicated to supporting the work of both state beef councils and the national Beef Checkoff Program through its work in beef research, information and promotion.



What's In a Name?

Why do some state promotion governing bodies have boards, while others have councils or commissions?

The answer is that the bodies are controlled by grassroots producers in each state, who establish all aspects of how beef promoting efforts will be run.

Regardless of their name, beef promotion entities in 45 states are considered Qualified State Beef Councils, and authorized by the USDA to collect the full \$1-per-head national checkoff assessment. They remit half to the Cattlemen's Beef Board for national and international promotions, research and information programs. The other 50 cents remains under the control of the state's board of directors for investment in qualified demand-building programs.

Individual producers who get involved in all aspects of the decision-making process at both the state and national level assure grassroots control – something all beef producers can support.

Did You Know...

- Because of its independent nature, the Meat Board was asked in the late 1920s to help develop criteria for a national beef grading system, and the U.S. Department of Agriculture would base its grading program on those standards;
- In the 1970s it was found that consumers were confused by different names for the same cut of meat, therefore a Uniform Retail Meat Identity Standards program was created by the Meat Board that helped make cut names more uniform nationally;
- In the 1960s and 70s, the BIC worked every year with the American National CowBelles (now the American National CattleWomen) on a "Beef For Father's Day" promotion across the country. Millions of consumers were reached through the campaigns;
- A consumer boycott of red meat in the Spring of 1973 highlighted the value of a checkoff-based industry response to societal issues (and underscored the need for more resources). The industry joined forces in a "Beef Steak Strategy" through the BIC to reach out to consumers, helping educate them through media outlets such as *The New York Times*, *The Wall Street Journal*, *Time*, *Newsweek*, and NBC-TV's *The Today Show*.



Third Time is a Checkoff Charm

The Beef Checkoff Program passed by producers in a 1988 referendum by an almost 4-1 margin wasn't the first beef industry effort to create a uniform national checkoff. In 1977, a program was proposed that would have assessed 2/10th of one percent of an animal's value at slaughter to fund a top-down organization – with a minimal role for state beef councils. It was voted down by producers.

In 1980, a similar proposal was overwhelmingly defeated. After that defeat, the industry went back to the drawing board to determine what kind of program producers really wanted.

An extensive survey found that producers sought a program that was jointly controlled by a state and national effort; utilized existing organizations (like the BIC and United States Meat Export Federation) to conduct programs, without creating new promotion organizations; and a program that used a method of collecting a set amount at the time of sale

The \$1-per-head assessment and the Beef Checkoff Program were the result. Surveys conducted on a regular basis by an independent research firm show that producers remain supportive of this effort. In the last survey conducted in July 2012, 74 percent of producers supported the beef checkoff, and eight of 10 said they thought the checkoff had helped contribute to a positive trend in beef demand.

GETTING A GRIP ON THE FUTURE

It doesn't take a crystal ball to know the beef industry has plenty of marketing changes in store over the next 50 years. If the decreasing cattle herd and changing weather patterns aren't good enough indicators, technology and the mercurial consumer should suggest that we're in for quite a ride.

Consumer demographic and behavioral trends suggest the beef industry can expect many changes. Based on current developments we would not be surprised to see:

New merchandising options.

Households comprised of one or two persons now represent 62 percent of the total U.S. households. Retailers are going to need plenty of merchandising options as they reach out to these consumers.

Technology driving decision-making.

Millennials – those 80 million consumers who were born between about 1980 and 2000 – use social media to make many of their decisions, as well as increase their knowledge base. What kind of instant messaging will drive millennial decisions and knowledge tomorrow?

Ethnic shifts change the marketing landscape.

Hispanics will grow from 16 to 30 percent of U.S. households from 2010 to 2050. Not only will culinary tastes shift, but the beef industry must be able to meet the needs of increasingly diverse consumer palates.

More new beef cuts for the budget-conscious.

The beef industry has developed several new beef cuts (Denver Cut, Flat Iron Steak) that have helped make steak-eating more affordable, and increased the value of the carcass. Today, about half of U.S. households are at low to moderate income levels. Innovation is needed to find affordable beef options for all income levels.

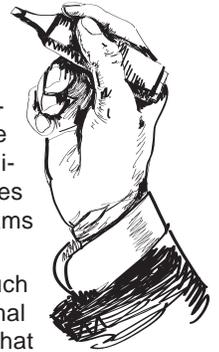
More convenient beef products.

Nearly one-third of consumers think that 40 minutes from start to table is too long to wait for their meals, 70 percent say that an hour is too long. In addition, 70 percent of women are now working, so convenience is paramount. While ground beef has been the “fall-back” product for the time-conscious, more convenient whole muscle cuts could boost demand.

Summary

As we look down the road, these and other trends stand out as particularly relevant to beef producers. Obviously, no one can predict the future; however, it makes sense for the beef industry to be prepared for one. 🐄

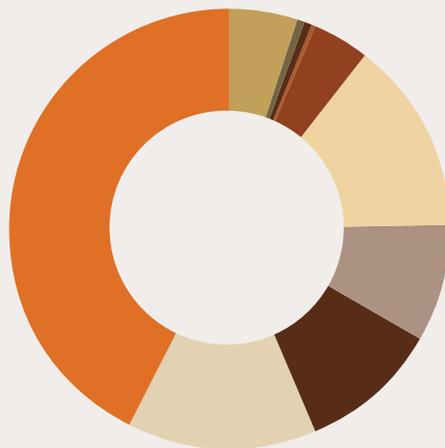
THE CHECKOFF IN 2012



Today, aggressive check-off-funded programs are reaching their target audiences with positive messages about beef. These programs include:

- NUTRITION RESEARCH**, such as the Beef in an Optimal Lean Diet (BOLD) study that demonstrates eating lean beef every day can be good for heart health;
- SAFETY RESEARCH**, which searches for solutions to safety challenges to further enhance the industry's safety record;
- HEALTH PROFESSIONAL EDUCATION**, which extends scientific research about beef nutrition to the country's leading health professionals through organizations like the Academy of Nutrition and Dietetics;
- ADVERTISING**, which takes advantage of consumer recognition of the checkoff's “Beef. It's What's For Dinner” campaign through print, radio and online video advertising;
- FOODSERVICE AND RETAIL PROMOTIONS**, such as a new BEEFlexible for Foodservice campaign to promote the value and versatility of steak, and a refreshed version of the BeefRetail.org website;
- ISSUES MANAGEMENT**, which helps protect the industry against unfounded attacks and provides accurate information about beef issues. To help debunk beef myths, a FactsAboutBeef.com website was created to address animal care, the environment, nutrition and safety;
- BEEF QUALITY ASSURANCE**, where producers are encouraged to follow guidelines that encourage better beef production. Released in 2012, the 2011 National Beef Quality Audit provided industry guideposts for improving the U.S. beef supply;
- INFORMATION**, with booklets like Basics About Beef, a full color, 24-page booklet designed to help consumers get optimal value when buying beef;
- VEAL PROMOTION**, with a Facebook summer grilling photo contest generating awareness of veal and a Twitter handle posting local veal specials at retail and in restaurants; and
- INTERNATIONAL PROMOTIONS**, which are helping raise awareness of beef's value in dozens of countries around the world. 🐄

CATTLEMEN'S BEEF BOARD Fiscal Year 2012 Expenditures



Expenditures

Program Expenses:

| | |
|--------------------------------------|---------------------|
| ■ Promotion | \$18,497,850 |
| ■ Research | \$5,719,714 |
| ■ Consumer Information | \$4,513,478 |
| ■ Industry Information | \$3,866,592 |
| ■ Foreign Marketing | \$6,129,529 |
| ■ Producer Communications | \$1,745,326 |
| ■ Producer Evaluation..... | \$131,674 |
| ■ Program Development | \$198,498 |
| Total Program Expenses: | \$40,802,661 |
| ■ USDA Oversight | \$211,064 |
| ■ Administration | \$1,632,467 |
| Total Expenses: | \$42,646,192 |

*Chart shows 2012 audited numbers